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NSC 5727

December 13, 1957

COPY NO. 1

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# NATIONAL SECURITY COUNCIL

## U. S. POLICY TOWARD GERMANY

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By LKJ NLE Date 6/9/82

PORTIONS EXEMPTED

E.O. 12065, Sec. 1-301 (a) (b) (d)

NSC letter 2/19/82

NLE Date 6/9/82

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December 13, 1957

NOTE BY THE EXECUTIVE SECRETARY  
to the  
NATIONAL SECURITY COUNCIL  
on  
U. S. POLICY TOWARD GERMANY

References: A. NSC 160/1  
B. Supplement to NSC 160/1  
C. NSC 5404/1  
D. NSC Actions Nos. 1664 and 1764  
E. NIE 23-57

The enclosed draft statement of policy on the subject, prepared by the NSC Planning Board pursuant to NSC Action No. 1664-b, together with Supplement I ("U. S. Policy on Berlin") and Supplement II ("U. S. Policy Toward East Germany") thereto, is transmitted herewith for consideration by the National Security Council at its meeting on Monday, December 23, 1957.

Supplement I consists of NSC 5404/1, and Supplement II consists of the Supplement to NSC 160/1. The NSC Planning Board has reviewed NSC 5404/1 and the Supplement to NSC 160/1, and recommends no change at this time in the policies set forth therein. When the Planning Board subsequently reviews U. S. Policy Toward the Soviet Satellites in Eastern Europe (NSC 5608/1) it will consider, in the light of such review, whether to recommend any changes in Supplement II.

A Financial Appendix and a Military Annex are also enclosed for the information of the Council.

It is recommended that, if the Council adopts the enclosed statement of policy, it be submitted to the President with the recommendation that he approve it and reaffirm the statements of policy set forth in Supplements I and II thereto; direct their implementation by all appropriate Executive departments and agencies of the U. S. Government; and designate the Operations Coordinating Board as the coordinating agency.

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NSC 5727, if adopted, is intended to supersede NSC 160/1, the Supplement to NSC 160/1, and NSC 5404/1.

JAMES S. LAY, JR.  
Executive Secretary

cc: The Secretary of the Treasury  
The Director, Bureau of the Budget  
The Chairman, Joint Chiefs of Staff  
The Director of Central Intelligence

NSC 5727

- 11 -

~~TOP SECRET~~

D R A F T  
STATEMENT OF U. S. POLICY  
on  
GERMANY

GENERAL CONSIDERATIONS

A. Significance of Germany  
to U. S. Policy

1. Germany is of vital importance to the United States:

a. Germany's location in the heart of Europe and its considerable material and human resources make it a key area in the struggle between the Communist and Free Worlds.

b. The division of Germany is a chronic source of European instability and East-West friction, and a possible source of major armed conflict.

c. The future development and orientation of the Federal Republic will significantly affect the development of Europe as a whole.

2. U. S. policy toward Germany cannot be separated from the larger issues of U. S. global policy or European policy:

a. The reunification of Germany would involve a major readjustment in relations between East and West, because of the strategic importance to the USSR of its position in East Germany and because of the close relationship of the United States and Western Europe with West Germany.

b. Major U. S. decisions on such matters as U. S. troop deployment, use and disposition of nuclear weapons, and disarmament could have important effects on our relations with West Germany and hence on our position in Europe.

c. The development of a strong Western Europe will not be possible without German participation and cooperation in common European political, economic, and military institutions.

## B. Major Policy Factors

### Political and Economic Stability of West Germany

3. The Federal Republic is now the strongest economic power in Western Europe, has a stable political system, and is playing an increasingly prominent role in European and world affairs. As a result of the recent decisive electoral victory of Chancellor Adenauer's government, the prospects are good, at least for the next few years, for a moderate stable government allied with the West. Political extremism of either the Left or the Right is not now significant. The continued economic and political strength of the Federal Republic is very important to the success of U. S. policy in Europe.

### The Division of Germany and the Problem of Reunification

4. The division of Germany is a potential source of armed conflict and therefore a potential threat to U. S. security. Reunification will remain a central aim of West German policy and is a strong motivating force among the people of both East and West Germany. Until now West Germany has agreed with the United States and other Western powers in seeking reunification through free elections and avoiding any moves toward reunification which would jeopardize either West Germany's security or a unified Germany's political and military association with

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the West. At the same time, the USSR has rejected all Western proposals to settle the German problem through free elections, has insisted the problem must be settled by negotiation between the "two German states", and more recently has indicated it would not enter into discussions of any kind with the Western Powers on the German problem. There is no early prospect of Soviet agreement to a reunified Germany which might become militarily associated with the West. The USSR would also demand a very heavy price from the West in exchange for any diminution of its tight control over East Germany.

5. The West Germans have three possible lines of policy open to them. Broadly stated, these are:

a. To seek a rapprochement with the USSR and the Satellites, in order to achieve reunification while preserving an acceptable degree of independence from Soviet control. This alternative would be given little consideration in West Germany unless the United States acted in such a way as to signify abandonment or critical reduction of defense commitments in Western Europe.

b. To follow an independent course in foreign affairs, eschewing military alliances and counting on a stalemate between East and West which would enable

NSC 5727

- 4 -

~~SECRET~~

West Germany to achieve a strongly independent neutral posture. So long as their present confidence in the effectiveness and reliability of U. S. security assurances continues to exist, however, most West Germans would not consider this alternative seriously unless there was some better prospect than at present of attaining reunification thereby.

c. To remain firmly attached to the Western alliance, in confidence that the strength and resolution of the West will protect West Germany against any attack while it attempts to enlarge its role in the Western alliance and in the world at large.

During the next few years close cooperation with the Western alliance seems likely to be regarded not only as the sole workable alternative for West Germany, but also as affording opportunities for expansion of trade and influence.

6. However, in order to retain West German association over the longer run and to reduce the likelihood of West German unilateral efforts to solve the reunification problem, the West must continue to convince the West Germans that it will seek, as and when possible, to achieve unification. The West Germans fear that the United States may make an agreement with the USSR of major character



(such as a comprehensive disarmament agreement) without settling the problem of German unification. In addition, the United States might have difficulty convincing the West Germans of its sincerity in reunification were it to oppose a Soviet offer for reunification which the West Germans considered did not endanger their security and which was made at a time when the West Germans discounted the danger of Soviet aggressive designs. However, if the United States were willing to guarantee such a settlement, the readiness of West Germany to accept it would be increased.

7. Since the Geneva Foreign Ministers Conference of 1955 the Soviets have from time to time proposed the withdrawal of foreign troops from Germany, but have not linked withdrawals to German reunification. More frequently they have proposed withdrawal of all foreign troops from Europe, the liquidation of all foreign bases, and the abolition of all military pacts. In the West, various proposals for troop withdrawals have also been put forward, but these have been linked with an agreement on reunification and have been couched in terms of troop withdrawals from the center of Europe. Proponents argue that troop withdrawal proposals, if combined with satisfactory assurances of security for the West and with an agreement on reunification, might provide a feasible approach to removing the major irritant of a divided

Germany. Proponents argue that such withdrawals would also reduce the threat of conflict which exists in the present confrontation of hostile Soviet and Western forces in the center of Europe. A major appeal to the United States of a plan providing for the withdrawal of Soviet troops from Eastern Europe, without jeopardizing the security of Western Europe, would be the elimination of the major instrument of Soviet control in the area. At present, however, there is no indication of any Soviet interest in a withdrawal of forces on both sides under conditions which would provide reasonable assurances of security for the West. Furthermore, the West German and other Western European Governments would be strongly opposed to any significant reduction in the number of U. S. forces stationed in Germany, until there is some indication of change in the Soviet position regarding security and reunification.

8. Proponents of German neutralization have argued that the Soviets will agree to reunification only upon terms which guarantee the neutralization of a unified Germany, and that the West Germans themselves may eventually accept a neutralized status outside NATO in order to achieve unification. They also argue that neutralization is not too heavy a price to pay for Soviet withdrawal from

East Germany (and possibly other Satellites) and the diminution of the considerable dangers to peace inherent in the present division of Germany, the isolation of Berlin, and the confrontation of large hostile forces in Central Europe.

9. The United States has maintained that the neutralization of Germany is not acceptable under present conditions for the following reasons:

a. West German military association with Western Europe is very important to strengthen NATO capabilities in Europe.

b. Financial and political considerations probably would militate against relocation elsewhere in Europe of NATO forces withdrawn from West Germany, and might lead therefore to sizeable force withdrawals from the Continent.

c. A neutralized Germany would have such different political interests from those of the NATO allies that it would not participate fully in the efforts to achieve greater Western European integration. Without such German participation, Western European integration is not likely to progress far enough to enable Western Europe to achieve the strength and prosperity which would best assure its independence over the long run.

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d. As long as Western Europeans continue to feel that their security depends on U. S. participation in a strong NATO alliance, a unilateral U. S. proposal for neutralization would undermine the present West German Government and ties with the West as well as the support of other European Governments for NATO. Efforts to obtain the agreement of our NATO allies to such a proposal would run serious risk of having the same results.

NSC 5727

- 9 -

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The Relationship of the Federal Republic to the Western Community

10. The participation of the German Federal Republic in a strong and effectively integrated Western European Community is essential if Western Europe is to realize its maximum potential as a counterweight to Soviet power. The success of the Community may likewise have a decisive bearing upon the completeness and dependability of West Germany's association with the West. West German participation in an effective Western Community constitutes the best guarantee that West German strength will be used constructively, rather than independently, for the achievement of narrow nationalistic aims.

11. West German disposition to cooperate with other Western countries stems in part from belief in the over-all superiority of the West. Recent evidence of Soviet scientific achievements has led the West Germans to believe that the United States and its Western allies must increase their efforts in order to maintain Western military and over-all superiority.

12. To an increasing extent the Federal Republic has assumed a leading role in the movement for Western European integration, and is participating actively in the European Coal and Steel Community, the embryo European Economic (Common Market) Community, and the Atomic (EURATOM) Community. The West German attitude will be important in determining the future direction of these Communities, especially the rate at

which the Six Members thereof\* move toward full economic union and toward increased political unity. It will also be important in determining many related matters, such as the kind of commercial policy the Six Members adopt in their trading relations with the outside world, and the ultimate character of a broad free-trade area which has been proposed to associate the United Kingdom and other Western European countries with the Six. However, increased economic strength and the avoidance of financial crisis in France and the United Kingdom may be the critical factors in determining the rate of progress of these institutions; and should it prove to be essential for them to obtain substantial foreign financial assistance, the willingness of the West Germans to provide a proportion of such aid would be important.

13. The West Germans have some sense of dissatisfaction with their political relations with the West. They apparently expected, when they were given sovereignty, that they would enter more fully into the councils of the West. They feel that their actual and potential strength entitles them to play an increased role. They profess to find their role in NATO unsatisfactory. What they would probably like is a "political standing group" consisting of the United States and the United Kingdom, France and the Federal Republic. The smaller European countries (particularly Italy and the Benelux countries), while recognizing German reunification as a

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\* Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany.

U. S.-U. K.-French responsibility, are bitterly opposed to any system of regular Great Power consultation which they fear would exclude them from any voice in the formulation of Western policies.

The Federal Republic's Relations with Eastern Europe  
(including East Germany)

14. The Federal Republic has made it a cardinal point of foreign policy, as recently confirmed by its severance of relations with Yugoslavia, not to maintain diplomatic relations with countries which grant diplomatic recognition to the so-called German Democratic Republic. It has made an exception only in the case of the Soviet Union.

15. The Federal Republic's official relations with the Soviet Union, always quite reserved, have become increasingly cool. These relations have not thus far contributed to the achievement of the maximum objectives of either power--for the Soviet Union, the detachment of the Federal Republic from the West; and, for the Federal Republic, progress toward German reunification. Even with respect to the minimum objectives--for the Soviet Union, considerable expansion of trade and cultural relations; and for the Federal Republic, the repatriation of all German nationals in the Soviet Union--progress has been minimal.

16. In its relations with the Satellites other than East Germany, the Federal Republic appears to be moving toward a position of greater flexibility. In particular, the Federal Republic will

seek to strengthen its economic ties in Eastern Europe. The West Germans consider that their interests are served by encouraging Communist deviation from Soviet hegemony. However, West German policy is as yet uncertain and cautious because of (a) the desire to prevent a broader recognition of the East Zone government; (b) uncertainty as to whether establishment of relations with Poland and other Eastern European countries would in fact loosen Soviet control over Eastern Europe; and (c) the extremely sensitive political issue of the Eastern boundaries of Germany.

17. Any expansion of West German influence in Eastern Europe which loosens the ties between the USSR and the Satellites would advance U. S. objectives in that area. In view of the problems just cited, however, this can best be accomplished in the immediate future through the development of West German economic relations with the Eastern European countries (other than the Soviet Union) rather than by the establishment of diplomatic relations. West German trade missions in selected Eastern European countries would provide for official West German representation and could, to the extent that the Eastern European governments desire political contact with the Federal Republic, provide a cover for such contact. However, more extensive consultation with the Federal Republic on U. S. economic and political policies affecting the Eastern European countries would help to enhance and direct West German energies in that area.



18. The Western Allies have taken the position that the Oder-Neisse line is temporary and that the final boundaries of Germany should be fixed in a peace settlement with the agreement of an all-German Government. They have taken no position on where the boundary should be. The Federal Government has from time to time hinted at the desirability of finding some compromise solution of the border question. However, it would be unwise for the United States to take a position on the boundary, at least until prospects for a settlement are more promising, because to do so would incur the ill will of either the Poles or the Germans, or both.

19. In East Germany the present Communist regime, though overwhelmingly opposed by the population, will be strongly entrenched as long as it is backed by massive Soviet military strength. The USSR has made clear its determination to maintain its power position in East Germany. The East German regime appears to be about to launch an intensified campaign to reduce Western influence on the population by reducing contacts between East Germany and the West. The Federal Republic fears Western involvement with Soviet military forces in the event of any large-scale uprising and has therefore strongly encouraged the East German population in its avoidance of active measures to change the existing situation. The Federal Government favors continued non-official economic relations with East Germany because it considers the Soviet Zone a source of needed commodities (e.g., brown coal). It

also believes that a limited shoring up of the East German economy is an important factor in reducing the danger of an East German uprising and is a humanitarian duty towards less fortunate countrymen. (For a fuller discussion of U. S. policy toward East Germany, see Supplement II to this paper.)

Berlin

20. The Berlin situation calls for the utmost vigilance on the part of the Western Powers. The Western Powers are publicly committed to defend their position in Berlin, and the loss of this position would have incalculable consequences in undermining the Western position in Germany and the world at large. Yet Berlin remains isolated behind the Iron Curtain and exposed to constant Communist pressures and harassment. While the pattern behind recent increased difficulties is not easy to discern, it seems probable that Communist efforts are directed at this time more toward sealing off the Soviet Zone from Western influence than toward a major interference with the Western lines of communication to Berlin. (For a fuller discussion of U. S. policy on Berlin, see Supplement I to this paper.)

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### The Federal Republic's Role in Western Defense

21. Because West Germany was not psychologically or administratively prepared, some delay and difficulty was inevitable in the creation of West German armed forces. But the principal obstacles to building up an effective West German force have been, and will probably continue to be, uncertainty as to the basic strategic concepts upon which forces and weapons systems should be built and, to a lesser degree, a lack of popular enthusiasm for the costs and sacrifices involved. Force goals for West Germany, originally worked out in consultation with the West German Government in the course of EDC planning, were endorsed by NATO in 1952 and were established by the North Atlantic Council in 1955 as a major contribution to the "shield concept" for the defense of Europe. West Germany will fall far short of attaining these goals (1:1 Army divisions by the end of 1958, 1:1 air squadrons by the end of 1959, and an over-all personnel strength of 1:1:1:1:1 men by the end of 1959). In December the NATO Council approved the following West German force goals for 1958: 1:1 Army divisions, 1:1 naval vessels, and 1:1 air squadrons (including 1:1 undergoing operational training). West Germany is expected to meet these 1958 goals. Following approval (probably in the spring of 1958) of the NATO Military Committee Document (MC-70) on minimum essential NATO force requirements during 1958-1963, in the consideration of which West Germany is participating, revised West German military plans for the period beyond 1958 can be expected.

NSC 5727

- 16 -  
(Revised 1/3/58)

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22. The Federal Republic presently has approximately [ ] men in the armed forces, and recent planning figures show an interim strength goal for the armed forces (excluding territorial forces) of [ ] men by 1961. The Army consists of [ ] divisions: [ ] infantry divisions already committed to NATO; [ ] armored; [ ] mountain; and [ ] airborne. All [ ] are understrength and possess only a limited combat capability. By March 31, 1959, the West Germans expect to have [ ] divisions, one at only [ ] strength. The Navy's present combat capability (principally minesweeping) is quite limited. A naval construction program is under way but will not be completed until 1961. The Air Force is still being organized and trained and has no combat units--primarily because of the difficulty of obtaining qualified pilots and land for airfields, and because of preoccupation with the implications of advanced aircraft types and missiles. West Germany has recently indicated an interest in integrating short-range tactical missiles in its NATO-committed forces. West German defense expenditures, although mounting, are only about 4.4% of gross national product as compared with 10.4% for the United States, 7.9% for the United Kingdom, and 7.6% for France. However, the Federal Republic has indicated to NATO that West German defense expenditures will increase sharply in 1958 and subsequent years.

23. The United States has agreed to furnish the Federal Republic approximately \$900 million of military equipment as grant aid. Most of this materiel has now been delivered and no further aid is now contemplated, except for nominal amounts for training and possibly a modest mutual weapons development program. Present West German contracts for arms purchases outside West Germany total \$1 billion, with approximately one-third of that total placed in the United States. The West Germans at present are producing little military equipment other than transportation equipment and soft goods. West German manufacturers have been reluctant to engage in arms production, but this attitude is changing.

24. The West German financial contribution to the support of other NATO forces in West Germany has undergone successive annual reductions from a level of \$1.7 billion per year agreed to in May 1952 to a level of \$346 million for the period May 19, 1956-May 19, 1957. In May 1957 negotiations resulted in a West German agreement to make what the West Germans claimed to be a "final" contribution of \$285.7 million, of which the U. S. portion would be \$77.4 million (half that of the preceding 12 months). The United States accepted this reduction, but reserved the right to request an additional

\$77.4 million for the balance of U. S. FY 1958, after the West German election. In November 1957, the United States sent a formal note requesting the \$77.4 million, to which no reply has yet been received.\* On December 3, 1957, the British, after failing in negotiations to have the Germans furnish 50 million pounds (\$140 million) to cover the Deutschemark requirements of British troops in Germany for the year beginning April 1, 1958, invoked in the NATO Council the clause in the Brussels Treaty under which the United Kingdom reserved the right to withdraw troops committed to the Continent in case they encountered financial difficulties, including those of a foreign exchange nature. In doing so the British said that if satisfactory financial arrangements could not be worked out they would have to reconsider the whole question of how many troops they could maintain on the Continent.

25. Inability on security grounds to disclose more fully to the West Germans information regarding certain weapons systems, has inhibited the Federal Republic in

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\* As the West German contribution to the support of U. S. forces in West Germany has declined, German dollar receipts from expenditures by U. S. military forces in West Germany have risen. Total receipts from such expenditures have reached a level of \$408 million in FY 1957 and, without the additional \$77.4 million contribution requested from the West Germans, could reach a level of \$500 million in FY 1958 exclusive of offshore procurement.

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making the decisions needed for a rapid military build-up. Security factors also have limited the scope of technical relations between West Germany and the arms-producing countries, particularly the United States, and have prevented the effective utilization of West German potential in the research and development field. The NATO meeting and implementation of the principles enunciated in the Eisenhower-Macmillan talks should facilitate disclosure of technical information to the West Germans, particularly if the industrial security system in West Germany is improved. The prohibitions in the Brussels Treaty on the West German manufacture of certain types of weapons, particularly missiles, also limit the West German contribution to the development and production of these weapons. These limitations (other than those on atomic, biological or chemical weapons) can be amended or cancelled by a two-thirds vote of the Western European Union (WEU) Council of Ministers, provided a request from the Federal Republic is supported by a recommendation by SACEUR. The Federal Republic has not been disposed to date to initiate requests for modifying these limitations, although there have been indications that the West Germans are interested in undertaking with their neighbors, particularly France and Italy, research concerning nuclear weapons, leaving production of

NSC 5727

- 20 -

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such weapons to their allies who are not restricted by treaty. Additionally there are indications that the West Germans are looking toward the development and manufacture in West Germany of shorter-range missiles.

The Federal Republic's Relation to Underdeveloped Areas

26. The Federal Republic has exhibited a lively interest in the underdeveloped areas. Its principal interest has been in expanding West German trade, but it has exhibited a healthy awareness of the basic political problems in these areas and of the need for combatting Soviet influence.

27. It is evident from the size of West German gold and foreign exchange reserves (\$5.75 billion as of October 31, 1957) and the current rate of increase (about \$2 billion a year) that the West Germans could provide a great deal more capital for foreign investment than they have provided in the past. Short and medium term credits have generally been provided where necessary to maintain the level of West German exports. However, the volume of West German long-term lending and direct investment by West German firms has not been large, in part because of the strong internal demand for capital in West Germany itself.



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The government has been reluctant to make public funds available for public lending even in a fashion analogous to the U. S. Ex-Im Bank. There have recently been a number of West German suggestions for increased coordination or new methods of coordination with the United States and other industrialized countries in the assistance field, but these suggestions appear to reflect hopes that further U. S. or international funds could thereby be obtained to supplement whatever rather circumscribed efforts the West Germans have been prepared to make themselves.

28. Recently there have been some indications of a greater willingness on the part of the West Germans to extend credit abroad,\* although they are still attempting to limit their credits to sound loans of medium term. West German officials have begun to give active consideration to the establishment of a new government mechanism to facilitate extension of external government credits.

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\* The West Germans have made the maximum portion of their IBRD subscription which is subject to call available for lending by the Bank and have in addition lent \$175 million in U. S. dollars to the Bank. The Government has established a very small foreign aid program with funds of \$12 million, largely for technical assistance, \$2 million of which it has agreed, through NATO, to lend to Iceland. West Germany has also committed itself to providing a \$200 million contribution to the overseas investment fund of the Common Market. It also appears probable that credits will be provided to India which will postpone payments of perhaps \$250 million coming due on Indian imports from West Germany. Some credits for new Indian orders may also be made available.

### BASIC OBJECTIVES

29. Restoration by peaceful means of Germany as a united state, firmly attached to the principles of the United Nations, with freedom of action in internal and external affairs, capable of resisting both Communism and neo-Nazism.

30. Firm association with the West of the Federal Republic and ultimately of a united Germany through the North Atlantic community, preferably as a member of an integrated European community.

31. A contribution by the Federal Republic, commensurate with its human and material resources, to the defense of the West and to the solution of problems confronting the West.

32. Prevention of Soviet domination over all Germany and elimination of Soviet power in East Germany.

33. Maintenance of the Western position in Berlin, pending the reunification of Germany.

### MAJOR POLICY GUIDANCE

34. Continue to promote effective actions by the Federal Republic to further European integration through such arrangements as the Coal and Steel Community, the Common Market, EURATOM, and ultimately the Free Trade Area.

35. Seek a more rapid build-up of the West German forces to be contributed to an integrated NATO defense and a greater utilization of West German resources for the common defense.  
In particular:

a. Support the elimination of the restrictions in the Brussels Treaty on West German contributions in the missiles field.

b. Encourage the utilization of the West German scientific potential for Western defense.

c. Promote the development of a mutually acceptable degree of industrial security which will permit a fuller utilization of West German facilities and resources for weapons production and for research and development.

d. Establish through NATO agreed force goals for West Germany and encourage the development of West German forces along lines which will result in their inclusion in an integrated NATO military structure and which will not involve the establishment of a completely independent West German military capability.

e. Continue to provide essential U. S. training for West German military personnel, including a minimum amount as grant aid for certain types of training considered necessary to maintain U. S. influence upon development of the German defense forces.

f. Provide, as appropriate, assistance under the Mutual Weapons Development Program.

g. Be prepared to sell to West Germany appropriate types of materiel consistent with availabilities and priorities.

36. Continue to seek an appropriate West German financial contribution to the support of Western forces in West Germany until West Germany gives evidence that it is assuming its full responsibility for achieving NATO agreed force goals for West Germany.

NSC 5727

37. On the basis that it is in the best interests of all countries concerned to discourage production of nuclear weapons by a fourth country, seek to persuade West Germany not to undertake independent production of such weapons. Assure West Germany that the United States will actively support the NATO decision to establish stocks of nuclear weapons which would be readily available for the defense of the alliance in case of need.

38. Maintain West German confidence in the intention of the United States to fulfill its NATO obligations.

39. Support a more significant role for the Federal Republic within NATO as it evidences its willingness to assume its full military responsibility within NATO.

40. Make clear to the West Germans that while urging them to accelerate their defense activities we are also urging (a) the United Kingdom to continue to make a substantial contribution to the defense of Continental Europe and (b) France to reconstitute its forces committed to NATO.

41. Encourage the Federal Republic to assume a greater measure of responsibility in activities of international organizations where U. S. interests are likely to be advanced thereby.

42. Encourage substantially increased West German financial and technical assistance to underdeveloped areas, both directly and through appropriate international institutions, and West German cooperation in countering Soviet penetration of such areas. In particular:

NSC 5727

25  
(Revised 1/2/58)

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a. Consult in appropriate ways with the Federal Republic with a view to inducing it to assume increased responsibilities toward the underdeveloped areas.

b. Make clear to the West Germans that U. S. public funds cannot be expected to be available in sufficient amounts to make it unnecessary for West Germany itself to extend additional credit if its exports are to be maintained.

43. Continue to press for the reunification of Germany through free all-German elections, and under conditions which would take into account the legitimate security interests of all countries concerned. Make clear that reunification is essential to any genuine relaxation of tension between the Soviet Union and the West, but that the United States will not agree to any reunification involving (a) Communist domination of a reunified Germany; (b) a federated Germany which perpetuates the existing Government of the German Democratic Republic; (c) the withdrawal of U. S. and other allied forces from West Germany without an effective military quid pro quo from the Soviets and the Satellites; or (d) the political and military neutralization of Germany.

44. [REDACTED]

45. Encourage the development of economic relations at this time between the Federal Republic and the countries of Eastern Europe (other than the Soviet Union) on a basis consistent with U. S. economic defense policies and over-all trade and assistance policies which will contribute to the development of the independence of these countries from the Soviet Union. To this end consult with the Federal Republic from time to time.

46. Maintain the Western position in Berlin, even to the extent of resisting Soviet pressure .....  
..... in accordance with Supplement I to this paper.

47. Hamper the Soviets from making effective use of East Germany and oppose efforts to achieve international recognition and internal acceptance for the East German regime, in accordance with Supplement II to this paper.

U. S. POLICY TOWARD GERMANY

Table of Contents

	<u>Page</u>
U. S. POLICY TOWARD GERMANY (SECRET)	
Statement of Policy-----	1
General Considerations-----	1
A. Significance of Germany to U. S. Policy---	1
B. Major Policy Factors-----	3
Political and Economic Stability of West Germany-----	3
The Division of Germany and the Problem of Reunification-----	3
The Relationship of the Federal Republic to the Western Community-----	10
The Federal Republic's Relations with Eastern Europe (including East Germany)-----	12
Berlin-----	15
The Federal Republic's Role in Western Defense-----	16
The Federal Republic's Relation to Underdeveloped Areas-----	21
Basic Objectives-----	23
Major Policy Guidance-----	23
Financial Appendix-----	28
SUPPLEMENT I: U. S. POLICY ON BERLIN (TOP SECRET)	
Statement of Policy	
Annex- Excerpts from Allied Statements on Western Protection of Berlin	
SUPPLEMENT II: U. S. POLICY TOWARD EAST GERMANY (TOP SECRET)	
Statement of Policy	
MILITARY ANNEX ON WEST GERMANY AND EAST GERMANY (TOP SECRET)	

U. S. POLICY TOWARD GERMANYFINANCIAL APPENDIX

Cost estimates in the Financial Appendix indicate order of magnitude.

Approval of the policy statement does not indicate approval of cost estimates in the Financial Appendix.

Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

SPECIAL NOTE

All estimates are subject to the assumptions, footnotes, and summary explanation shown below in this Financial Appendix.

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WEST GERMANY, BERLIN AND EAST GERMANY

ESTIMATED COST OF THE PROPOSED POLICIES

Expenditures by Programs

FY 1956 - FY 1961  
(Millions of Dollars)

	Actual		:	Estimated				:	TOTAL
	1956	1957	:	1958	1959	1960	1961	:	1958-61
Military Assistance <sup>a/</sup>	95	484	:	201	101	b/	b/	:	302 b/
Economic Assistance			:					:	
West Germany			:					:	
Berlin <sup>c/</sup>	19.5	5.7	:	7.1	4.6	4 d/	4 d/	:	19.7
East Germany	7	4.8	:	6.7	4	4 d/	4 d/	:	18.7
Technical Assistance	.4	.2	:	.3	.2	.2 d/	.2 d/	:	.9
Information Services			:					:	
West Germany	6.1	6.1	:	4.6	4.4	4.4	4.4	:	17.8
Berlin	.4	.4	:	.4	.4	.4	.4	:	1.6
East Germany <sup>e/</sup>	3.4	3.6	:	3.4	3.6	3.6	3.6	:	14.2
Educational Exchange	.8 f/	.5 f/	:	.3	.2			:	.5
TOTALS . . .	132.6	505.3	:	223.8	118.4	16.6	16.6	:	375.4

<sup>a/</sup> Includes the value of equipment and supplies; packing, crating, handling and transportation costs; training; and the cost of rehabilitating excess stocks. Except for a small amount of training, the U. S. grant military assistance program for Germany is made up of the so-called Nash Commitment of \$881 million, as now repriced. Additionally, through November 30, 1957, Germany had placed orders for military equipment with the U. S. amounting to \$340 million, of which \$15 million was delivered during FY 1957. It is estimated that deliveries in FY 1958 will amount to \$200 million and in FY 1959, to \$125 million. The Federal Republic is following a policy of purchasing the latest type of equipment available. Inasmuch as it is purchasing equipment from several countries and its defense plans are extremely fluid, there is no realistic basis for projecting the precise amount of military equipment it may purchase from the U. S.

<sup>b/</sup> A small amount of assistance (probably less than \$100,000) for training purposes may be required.

<sup>c/</sup> Expenditures for FY 1956 include amounts originally obligated for the Federal Republic and not attributable to the Berlin program.

<sup>d/</sup> Tentative.

<sup>e/</sup> Includes Radio in American Sector (RIAS) and Liaison and Reports (L&R).

<sup>f/</sup> Estimated.

Financial Appendix

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	As of 9/30/57	
LOANS BY	Undisbursed Commitments	Outstanding Debt
EX-IM BANK:	9.0	1.0

It should be noted that the Ex-Im Bank loans are made to private firms, not to the German government.

IBRD: The IBRD has made no loans to Germany. However, the Germans have made the equivalent of \$66 million in deutschemarks available to the Bank for lending purposes. (This \$66 million represents the maximum percentage of the German subscription which is subject to call by the Bank at the present time. The U. S. and Canada are the only other major countries which have made available for lending the full amounts which are subject to call.) Also, the German Central Bank has lent \$175 million in U. S. dollars to the IBRD for its operations.

\* \* \* \* \*

#### NARRATIVE SUMMARY OF ECONOMIC PROGRAMS

##### 1. Magnitude of Program

From the inception of United States economic assistance in fiscal year 1946 through fiscal year 1957, the United States has obligated \$3,629 million for economic aid and \$3.0 million for technical assistance in the Federal Republic of Germany, West Berlin, and the East Zone. Under the terms of the London Debt Settlement Agreement of 1953, Germany's obligation to repay postwar economic assistance of about \$3 billion made available prior to July 1, 1951, was reduced to \$1 billion, payable over a thirty-five year period at 2½ percent interest per annum on the unpaid principal balance. Of the economic assistance furnished since July 1, 1951, \$16.9 million was extended in the form of a loan.

##### 2. Objectives of Program

The earliest economic objectives in 1948 concerned currency reform in West Germany, restoration of industrial and agricultural production, and general economic recovery in all sectors from the damages of war. By 1954 economic recovery of West Germany was assured, and thereafter, except for a final FY 1955 technical exchange program for West Germany, U. S. economic programs have been confined to West Berlin/East Zone. The present objectives are to maintain West Berlin as an outpost of freedom, to demonstrate Western determination to stand fast in the face of Soviet pressures, to assure that the constant comparisons made between conditions in East and West Berlin remain favorable to the West, to strengthen the economic bases of West Berlin, to construct and expand needed student housing and other public facilities of West Berlin. In East Berlin and East Germany the objectives now are to encourage and strengthen the Western orientation of East German residents, to bring about maximum contact between the people of the East Zone and the West, and to provide support to religious groups and to families of political prisoners in the East Zone.

Financial Appo

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### 3. Nature of Program

Current activities include a West Berlin program to provide the local currency equivalent of about \$5 million through sales under Section 402 of U. S. surplus agricultural commodities to West Germany. About half of FY 1958 local currency sales proceeds will be concentrated on low cost housing, and approximately \$2 million local currency will be devoted to the expansion of student housing and of scientific and technical facilities of the Berlin universities.

In addition, a technical exchange program of \$170,000 will train young business and labor leaders of West Berlin and will assist in the establishment of a Management Development Training Center.

The East Zone program of \$6 million will generate necessary local currency by sales of agricultural commodities in Germany under Section 402 of the Mutual Security Act. These proceeds will be devoted to the promotion of visits by many thousands of East Zone Germans to West Germany, to sponsor youth meetings and conferences, to assist various church welfare activities in the East Zone, including the printing of religious literature and the granting of medical aid. In addition, local currency proceeds will be devoted to providing scholarships for Soviet Zone students in West Berlin and to supplying them with books and other literature to take back to their homes, and to supply food, drugs and clothing for the families of political prisoners and other needy groups in East Germany.

### 4. Program Trends

Aid to Berlin has declined over the last decade. The request for FY 1959 funds will be \$3 million below that for FY 1958. Because of the unpredictable nature of requirements growing out of Communist harassment, it is not possible at the present time to forecast further reductions.

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MAJOR POLICY GUIDANCE

Supplement I  
to NSC 5727

- 4 -

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Supplement T  
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SUPPLEMENT I TO NSC 5727

STATEMENT OF POLICY  
on  
U. S. POLICY ON BERLIN

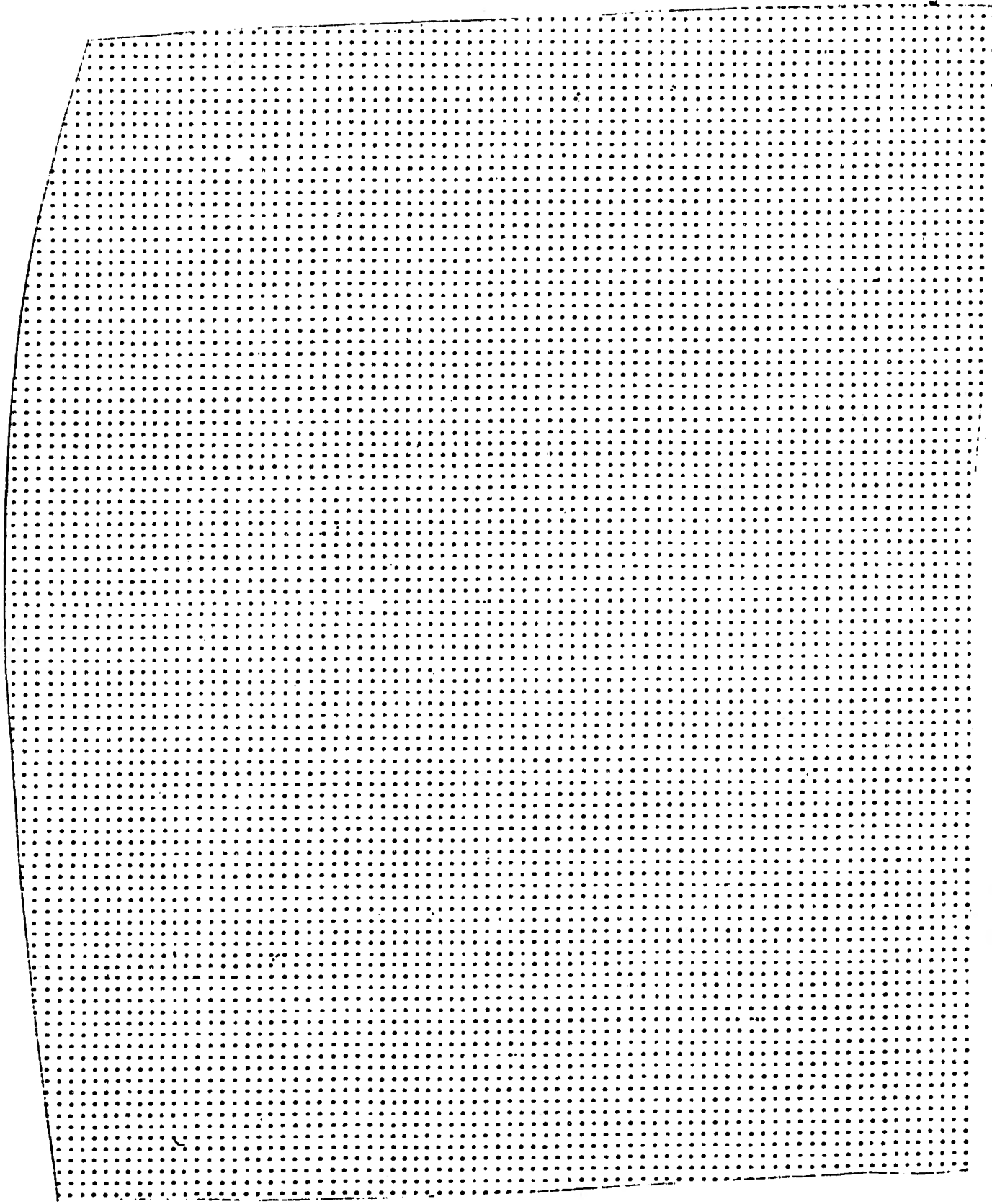
GENERAL CONSIDERATIONS

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I

Supplement I  
to NSC 5727

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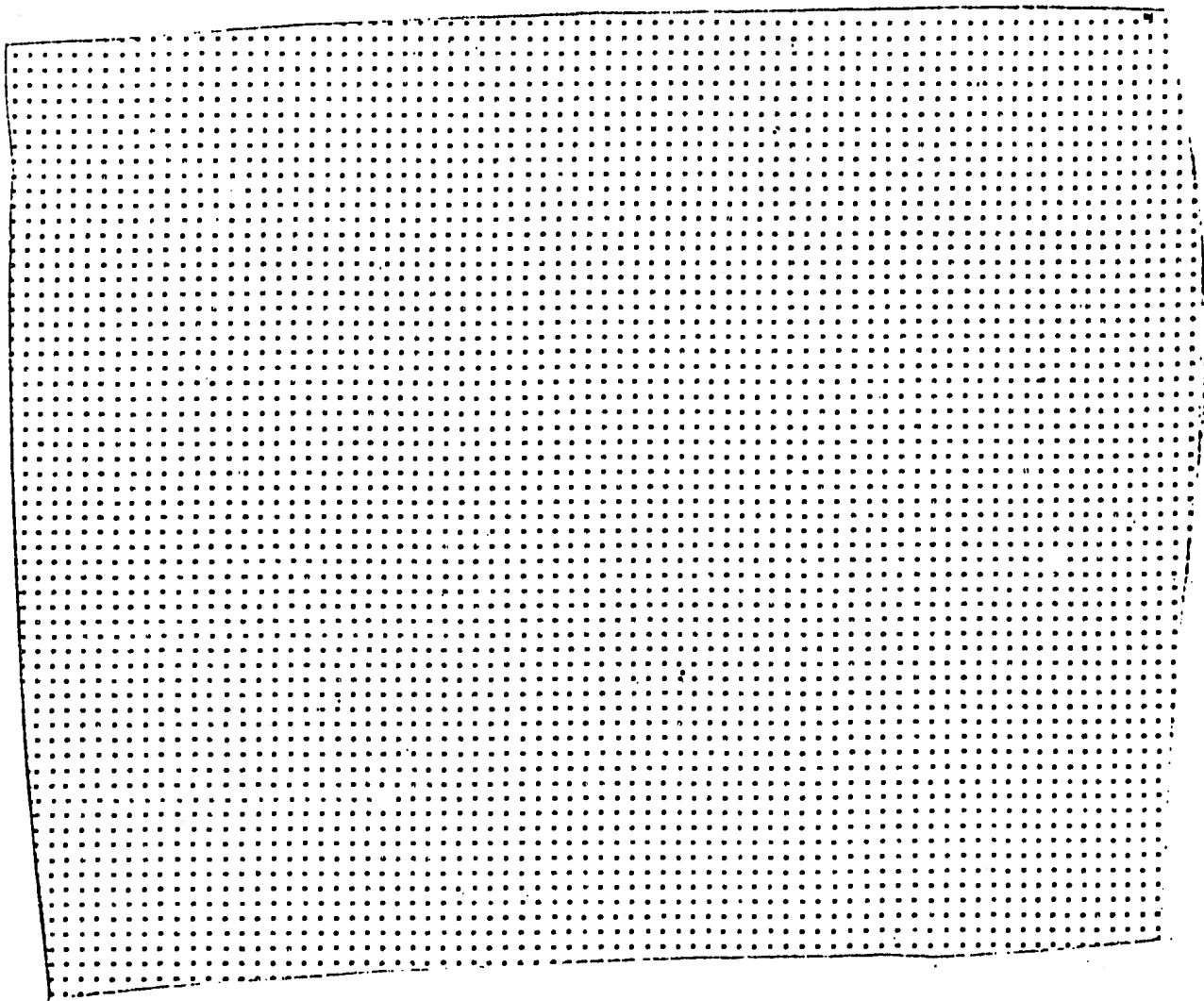
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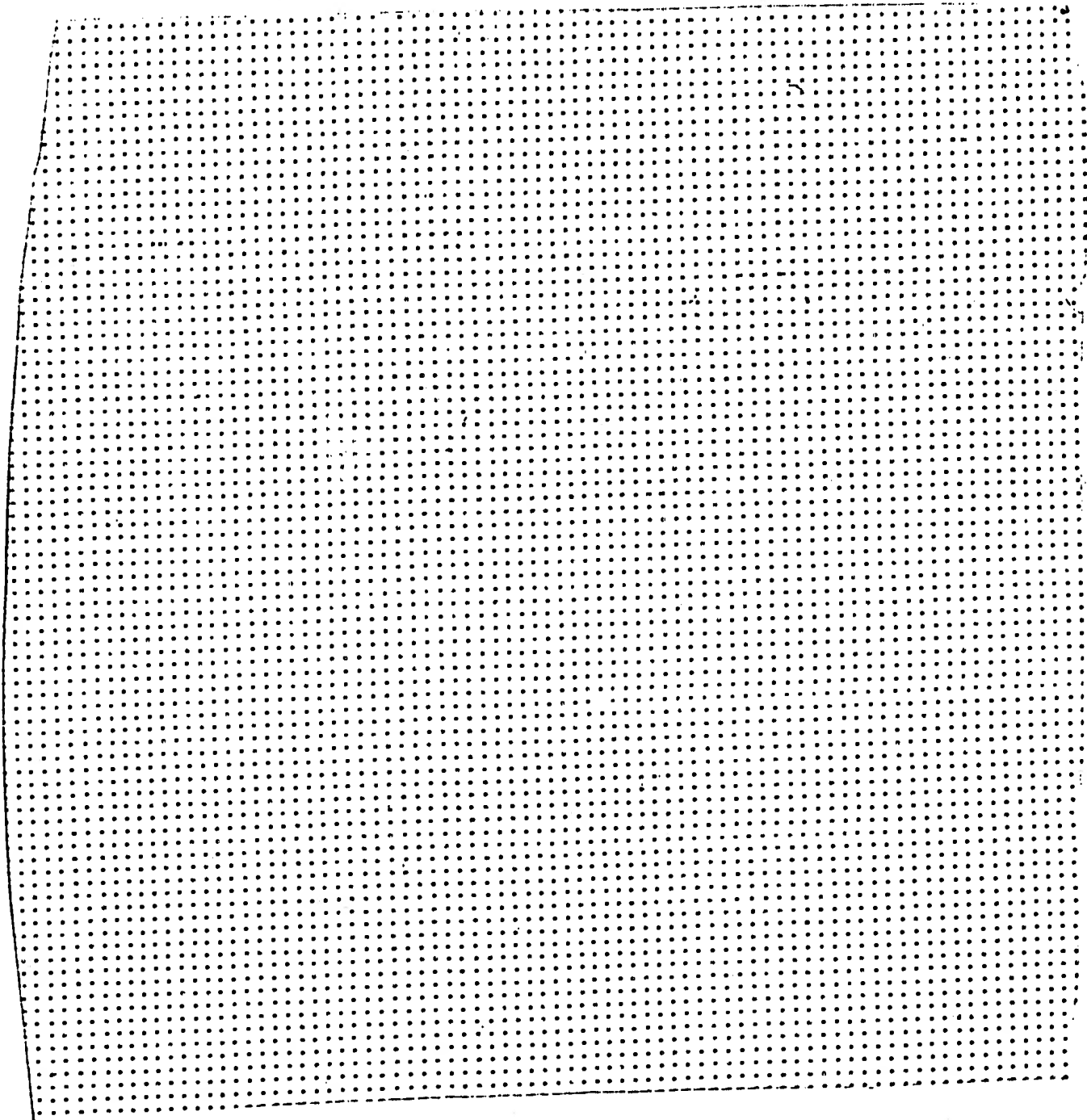


Supplement I  
to NSC 5727

- 3 -

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Supplement I  
to NSC 5727

ANNEXEXCERPTS FROM ALLIED STATEMENTS ON  
WESTERN PROTECTION OF BERLIN

May 14, 1952 - Secretary of State at news conference:

"...I think that is well understood by you and by everybody, including the Soviet Government, that we are determined to maintain our position in Berlin and to assist and protect the interests of the people of Berlin".

May 27, 1952 - Three Power Declaration at Paris by the U. S., U. K., and France:

"...the security and welfare of Berlin and the maintenance of the position of the three powers there are regarded by them as essential elements of the peace of the free world in the present international situation" and "they will treat any attack against Berlin from any quarter as an attack upon their forces and themselves".

May 29, 1952 - Foreign Secretary Eden in a speech to the Berlin Chamber of Deputies called attention to security guarantees given to Berlin by the Allies.

June 29, 1952 - Secretary of State, in a speech in Berlin at the cornerstone-laying ceremonies for a new library, stated:

"We have joined the Governments of France and Great Britain in reaffirming our abiding interest in the protection of Berlin. We have given notice, in plain and unmistakable language, that we are in Berlin until we are satisfied that the freedom of this city is secure. We have also indicated in unmistakable terms that we shall regard any attack on Berlin from whatever quarter as an attack against our forces and ourselves."

Feb. 6, 1953 - Secretary of State Dulles, at Wahn airport on his departure from a visit to Germany, stated:

"I regret that time did not permit a visit to Berlin on this occasion. I recall my visit there on the airlift in 1948. We, in the United States are, now as then, vitally interested in the welfare and security of this city and we share the determination of the Berliners to maintain their liberties."

Feb. 18, 1953- High Commissioner Conant, in a speech over RIAS on his first visit to Berlin shortly after assuming his post as High Commissioner, stated:

"Speaking as U. S. High Commissioner for Germany, let me make plain at the outset the position of my government. The new administration in Washington will not abandon Berlin. The U. S. is pledged to do its part to see to it that this city continues as an unshaken outpost of the Western world. We shall continue to insist on the free circulation throughout the entire city. We shall continue to fulfill our duties and to maintain our rights. Our rights as a joint occupying power in Berlin derive from the defeat and surrender of Germany and are defined in the agreements of the four powers. Unfortunately, neither the spirit nor the letter of these agreements is being carried out in one sector of this city. The U. S., in cooperation with the other two Western powers, is determined to keep open the lines of communications with Berlin. I can assure you there will be no faltering in our determination.

...The frontiers of freedom will peacefully expand and Berlin will then no longer be an isolated citadel. Until this time comes, the insurance of its freedom and industrial prosperity must depend on the strength of the Western world, and that strength will not fail."

Sept 28, 1954 - The Foreign Ministers of the United States, the United Kingdom, and France, in the course of the Nine-Power London Conference on Germany and European security (September 28 - October 3), issued a joint declaration paragraph 5 of which pertained to Berlin and read:

"The security and welfare of Berlin and the maintenance of the position of the Three Powers there are regarded by the Three Powers as essential elements of the peace of the free world in the present international situation. Accordingly, they will maintain armed forces within the territory of Berlin as long as their responsibilities require it. They therefore reaffirm that they will treat any attack against Berlin from any quarter as an attack upon their forces and themselves."

(This declaration was incorporated into the Final Act of the conference, published on October 3.)

Dec. 16, 1955 - At the conclusion of the regular December Ministerial Session of the North Atlantic Council in Paris, a communique was issued in which the Council

"reaffirmed that they consider the Government of the Federal Republic as the only German Government freely and legitimately constituted and therefore entitled to speak for Germany as the representative of the German people in international affairs; it stressed once again that the security and welfare of Berlin should be considered as essential elements of the peace of the free world in the present international situation; it urged the importance of consulting further within NATO on the question of German reunification and on the situation in Berlin."

Feb. 1, 1956 - Concluding talks begun on January 30, President Eisenhower and British Prime Minister Eden issued a joint statement which included a renewed pledge concerning Berlin, as follows:

"We reaffirm our abiding interest in the security and welfare of Berlin. We shall continue, as we have stated in the past, to regard any attack against Berlin from any quarter as an attack upon our forces and ourselves."

SUPPLEMENT II TO NSC 5727

STATEMENT OF POLICY  
on  
U. S. POLICY TOWARD EAST GERMANY

GENERAL CONSIDERATIONS

1. Soviet control over East Germany has added to the power disequilibrium in Europe and thus to the threat to the security of the United States. Moreover, the continued division of Germany creates a serious element of instability in Europe which must be eliminated before a reliable and enduring basis for European security can be established.

2. At the present time all evidence points to the conclusion that the Soviet Union has no intention of abandoning its position in East Germany, or of seriously negotiating on the subject of German reunification. It continues to maintain substantial military forces in the area, while representing minor withdrawals as a significant reduction.

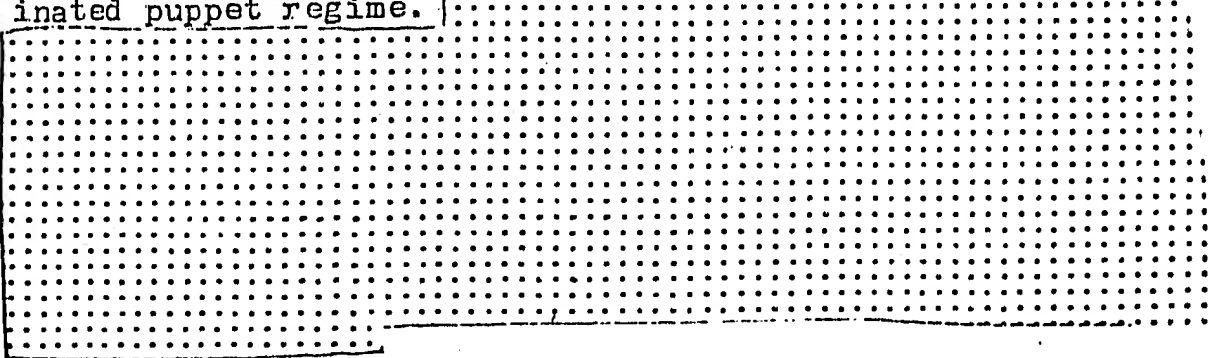
3. East Germany poses special and difficult problems of control for the USSR. While the East German regime has made limited progress in furthering its program, the East Germans are unlikely to accept of their own free will the Communist system which has been imposed upon them. A basic hope that reunification will somehow eventually be accomplished continues to be the main psychological support for the majority of East Germans in their disaffection with the Communist regime. The fact that the main body of the German nation in the Federal Republic has made remarkable advances in political freedom and economic well-being, together with the role played by West Berlin in providing a means of contact with the Free World, also serves to keep alive in East Germany the hope for an ultimate escape from Soviet domination. The situation in East Germany provides a showcase example of Soviet colonialism and furnishes opportunities for the West to exploit strong popular anti-Communist sentiments. Recently there have been numerous indications of unrest and uncertainty in the lower echelons of the East German Socialist Unity Party as a result of the repudiation of Stalin.

4. However, as long as Germany remains divided, various factors at work in East Germany will operate to weaken the resistance of the population to the regime. These factors.

include the wholesale Communist indoctrination of youth, the weakening under unrelenting police-state pressure of resistance groups now in existence, and the continuing flight to the West of anti-regime refugees.

5. It is in the national security interests of the United States to oppose Soviet control of East Germany and to seek the elimination of that control by means of the reunification of Germany in freedom. However, the United States is not prepared to resort to war to eliminate Soviet domination of East Germany, nor does attainment of this goal through internal revolutionary means appear likely so long as substantial Soviet forces are deployed in the area. Thus a basic change in Soviet policy toward Germany will be required before a German unification compatible with U. S. security interests can be attained. Until this change occurs, the possibilities for U. S. action vis-a-vis East Germany will remain limited.

6. The process by which a change in Soviet policy toward Germany may occur may be a very complicated one since it is closely related to many other elements in the total relationship between the Soviet Union and the West. However, in respect to Germany one essential line of action is the continued focusing of world opinion on the injustice of a Germany forcibly divided by the imposition of a Soviet-dominated puppet regime.



7. It is essential to this end that the NATO countries and, to the extent possible, non-NATO countries, demonstrate their support for reunification on a continuing basis. The United States will have to contend against the possible interest of certain uncommitted nations in trade connections with East Germany and combat the tendency of some Western European elements to favor political arrangements with the USSR based on a divided Germany.

8. The maintenance by the free world of contact with East Germans is an important element in the stimulation of their resistance to Communism, confidence in the West, and hope for a reunified democratic and independent Germany.

Imaginative and flexible programs will be required, permitting quick adjustment to possible changes in Communist restrictions on the access of the East German population to Berlin and West Germany.

### OBJECTIVES

9. Basic: The reunification in freedom of a Germany enjoying a representative government based upon the consent of the governed and participating fully in the free world community.

10. Interim:

a. To place the Soviets on the defensive by measures in support of reunification.

b. To undermine Soviet control over East Germany through exploiting the Western position in the Federal Republic and Berlin.

c. To diminish the reliability of the East German armed forces.

d. To minimize East German contribution to Soviet power and encourage changes in the present East German-Soviet relationship which would weaken Soviet control.

e. To conserve and strengthen the assets within East Germany which may contribute to U. S. interests in peace or war and to the ultimate freedom of East Germany.

### MAJOR POLICY GUIDANCE

11. Use appropriate means short of military force to oppose, and to contribute to the eventual elimination of, Soviet domination over East Germany and to promote the reunification of Germany in freedom, including, when appropriate, concert with NATO or other friendly powers, resort to UN procedures, and diplomatic negotiations.

12. Seek to increase popular and bureaucratic pressures against the present regime through the exploitation of discontent with political and economic conditions in East Germany.

13. Continue basic opposition to the Soviet-Communist system and continue to state its evils.

Supplement II  
to NSC 5727

- 3 -

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14. Encourage democratic, anti-Communist elements in East Germany. Stress the healthy aspects of a common German heritage and cooperate with other forces--such as religious, cultural, social--which are natural allies in the struggle against Soviet imperialism and seek to maintain the morale and will to resist Communist domination.

15. Stimulate and exploit conflicts within the Communist regime in East Germany and between it and other Communist regimes, as appropriate to the achievement of our policy objectives.

16. Exploit the developing organizations of Western unity (NATO, WEU, OEEC, CSC, etc.) as a force working for a free European community including a reunified Germany.

17. Utilize both public affairs and diplomatic channels to focus world opinion on the injustices of a forcibly divided Germany and the oppressive actions taken by the East German regime against the population. Emphasize that the people of East Germany have been deprived of their right to self-determination by the violation of international agreements by the Soviet Government, particularly the agreement of the Heads of Government at Geneva regarding the reunification of Germany by means of free elections.

18. Maintain contact with the people of East Germany and encourage resistance to the Communist regime by specific projects (administered by the West German Government through West German and private organizations supported by the United States to the extent necessary and appropriate) designed to (a) maintain a sense of identification with the West and (b) manifest our concern for the hardships of East Germans. This should include the provision of cultural, educational, welfare, and travel opportunities. However, an organized official program for the exchange of persons between the United States and East Germany would be inconsistent with our policy of the nonrecognition of the East German regime.

19. Reassure the East German people of our continued confidence in the eventual reunification of Germany in freedom by evidence of continued strong Western support for Berlin and our determination to remain in Berlin. Hamper Soviet exploitation of East Germany by maintaining Berlin as an example of Western accomplishments and as an island of resistance to consolidation of Communist control in East Germany, and by prompt and clear response to any Communist harassment of the city.



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20. Oppose the recognition of the East German regime by other countries, seek to limit its influence, and support the Federal Republic in preventing the admission of representatives of the East German regime to international organizations or meetings.

Supplement II  
to NSC 5727

- 5 -

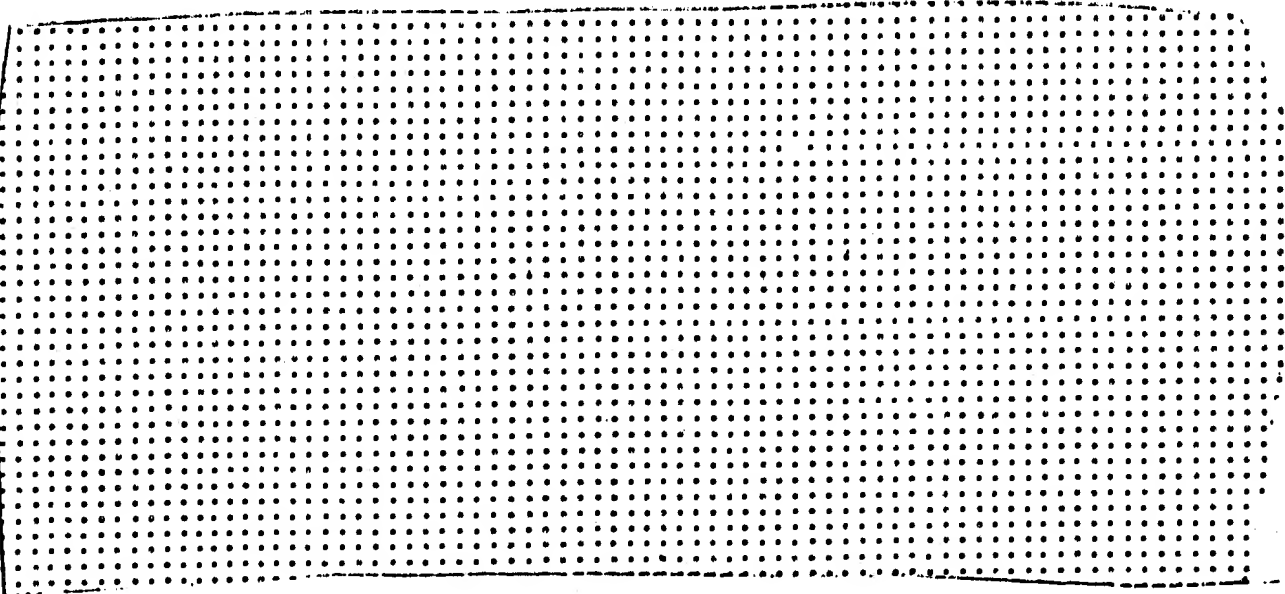
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MILITARY ANNEX TO NSC 5727

A. WEST GERMANY

1. MAP Objectives: The objectives of the military assistance program for West Germany are: (a) in accordance with the provisions of the North Atlantic Treaty (NAT), to assist in meeting requirements which are essential to organizing, equipping, training, and maintaining the forces specified as necessary for the defense of the NAT area in NATO-approved defense plans, within levels which can be maintained over an extended period of time; (b) to provide military assistance in a manner which will assure that such assistance contributes toward the development of forces capable of effective integrated action generally in consonance with the strategic concept for the defense of the NATO area. More specifically, our objectives are to help Germany meet the time-phased requirements for the build-up of its NATO-committed forces, and to insure U. S. influence on the nature and future orientation of the German defense establishment.



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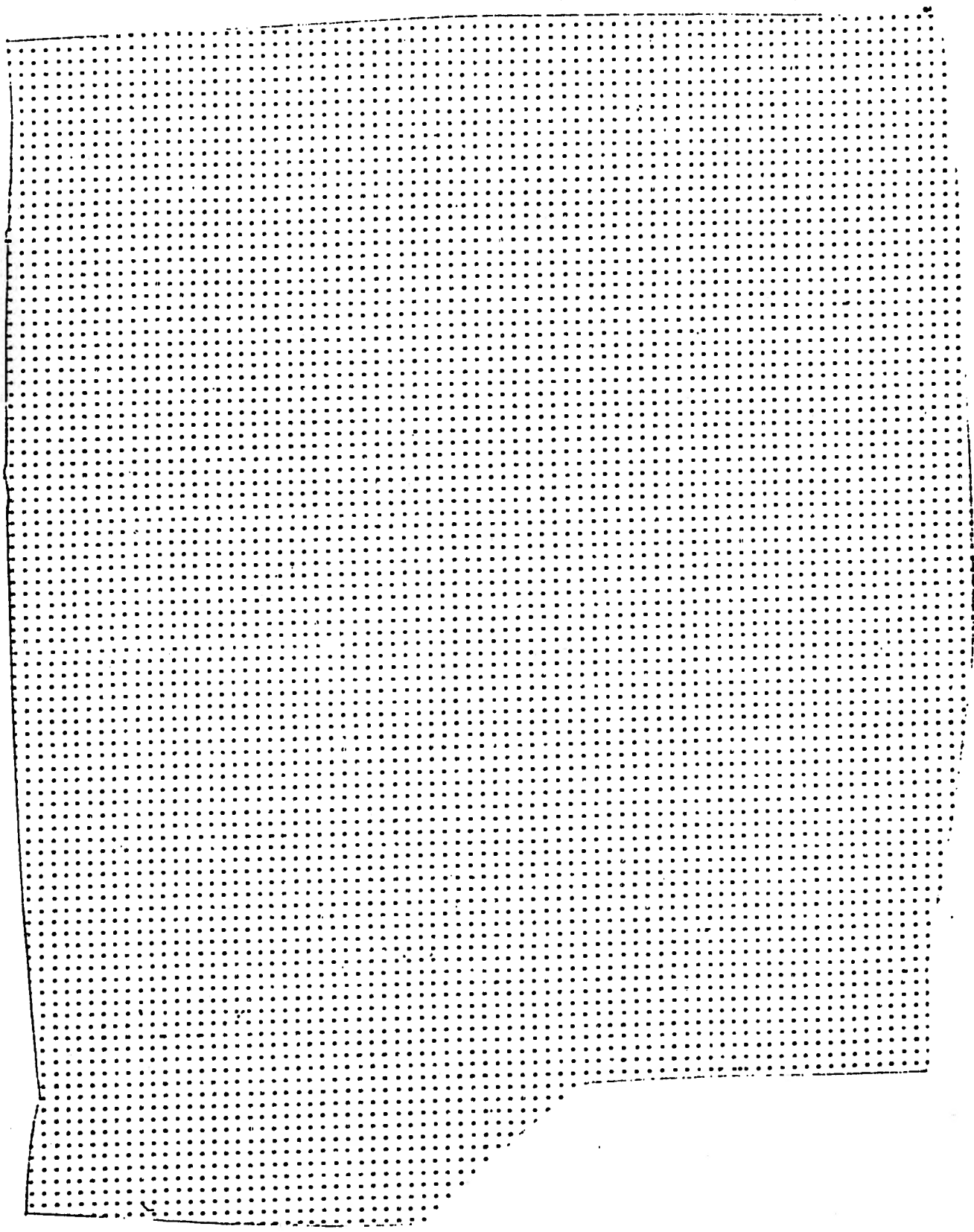
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- 2 -

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7. Defense Minister Strauss has reoriented defense planning toward smaller, combat ready forces equipped with the "most modern weapons". Both he and the Chancellor have made their position clear that, short of an over-all agreement on disarmament which included a political settlement for Germany, West German forces must in due course have tactical atomic weapons. Meanwhile, West German military plans are for forces which can be readily adapted to such weapons. Equipment to form three NIKE battalions has been purchased from the U. S., and cadre personnel for future NIKE units have been sent to the U. S. for training. An "Honest John" experimental and training battery is being activated and equipped, and will be trained in West Germany by U. S. Army instructors.

8. Protocol III to the Brussels Treaty permits West Germany to engage in all phases of research on missiles, but prohibits West German production of missiles or missile components for military purposes, except for small, short-range air defense missiles with specified maximum characteristics. An air defense missile of this type is being developed by German firms, but reportedly will not reach a test firing stage for three years. Numerous private organizations have been experimenting with missiles for meteorological and other scientific purposes, and some of these missiles might be adapted to military uses. The Federal Republic has an agreement with a Swiss firm for the production of a small anti-tank missile developed by a German firm, and may request an exception to Protocol III to permit production of this missile in Germany. Arrangements are being made for West German-French cooperation in weapons research and development, including missiles.

Military Annex  
to NSC 5727

- 4 -

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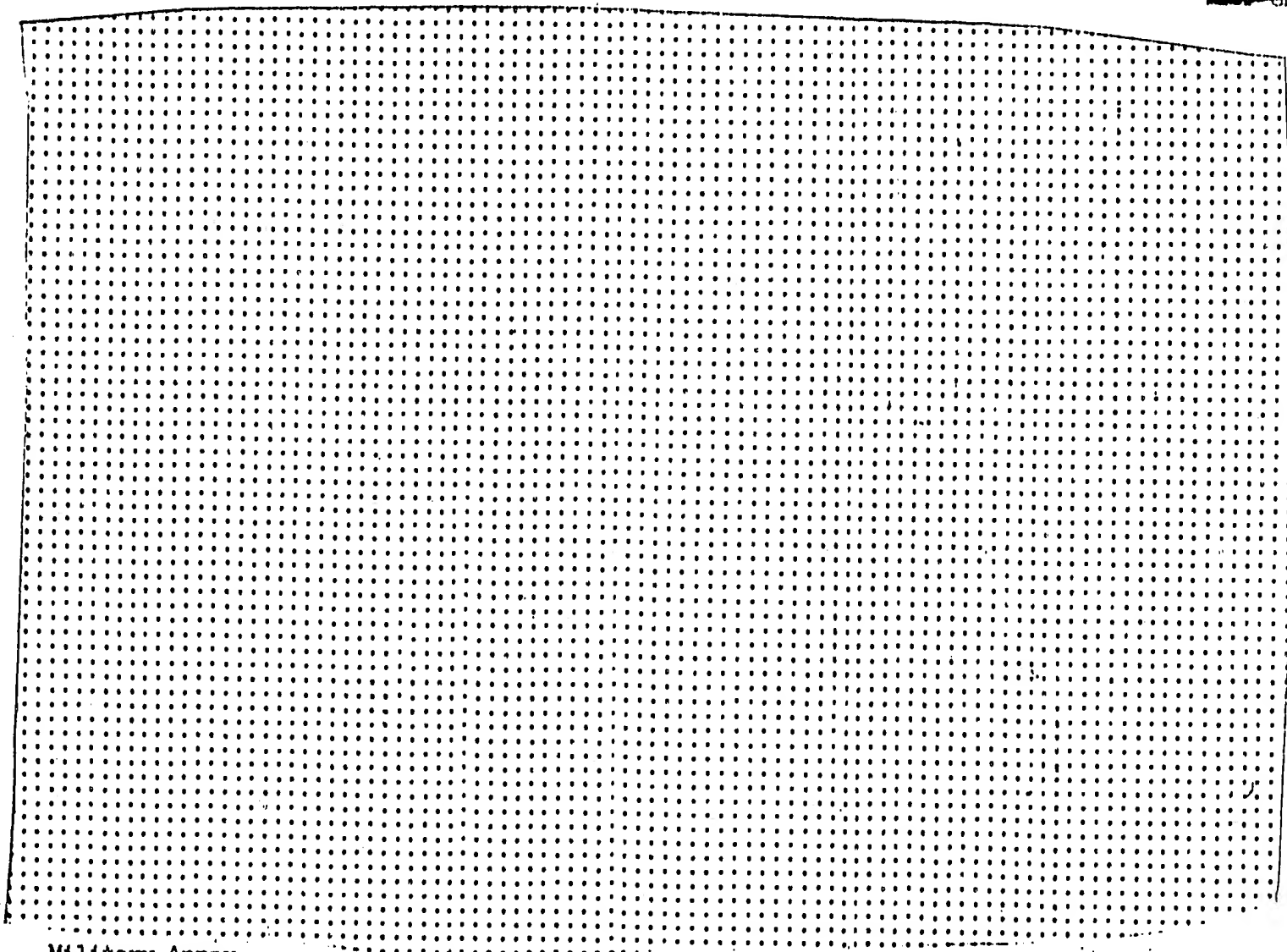
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Military Annex  
to NSC 5727

- 5 -

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to NSC 5727

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REPRODUCED AT THE NATIONAL ARCHIVES

Military Annex  
to NSC 5727

- 7 -

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# 11. U. S. Military Assistance Program:

a. Grant Military Assistance: Except for a small amount of training, the U. S. grant military assistance program for Germany is made up of the so-called Nash Commitment. Items covered by the Nash Commitment have been repriced under the Department of Defense pricing formula issued pursuant to section 575 (h) of the Mutual Security Act of 1956, and the estimated value of the program (shown in the OCB Progress Report of 17 July 1957 as \$964-1014 million) has been adjusted to \$881 million. The greater portion of the adjustment has come from a reduction in the value of Air Force items. Actual deliveries to Germany were started in FY 1956, and as of 30 June 1957 \$579 million had been delivered. This amount includes the value of equipment and supplies; packing, crating, handling and transportation costs; expenditure for training; and the cost of rehabilitating excess stocks. Excess stocks, not charged to MAP, in the amount of \$200,000 were also programmed and delivered. Deliveries in FY 1958 are estimated at \$201 million. The remainder of the Nash Commitment, \$101 million (inclusive of packing, crating, handling and transportation) is expected to be delivered in FY 1959. No additional grant assistance is anticipated beyond the Nash Commitment, with the possible exception of a minimum amount of training calculated to influence key German officers. Procurement assistance will be given in connection with the reimbursable assistance agreement.

b. Reimbursable Assistance: Through 30 November 1957 under the Reimbursable Assistance Agreement of 8 October 1956, the Federal Republic of Germany has placed firm orders with the U. S. military departments amounting to \$340.0 million. Germany has deposited \$284.3 million in the U. S. Treasury account set up to receive deposits under this agreement. Deliveries by the military departments during FY 1957 amounted to \$14.0 million, and thus far during FY 1958 (30 November 1957) additional deliveries of \$54.4 million have been made. It is estimated that deliveries during FY 1958 will amount to approximately \$200.0 million.

12. Offshore Procurement:

a. Procurement with military assistance funds.

The U. S. has placed offshore procurement contracts with Germany valued at \$29.0 million through 30 June 1957, and has received deliveries against these contracts of \$22.0 million. It is estimated that an additional \$5.0 million will be delivered during FY 1958, leaving \$2.0 million of present outstanding contracts to be delivered in subsequent periods.

b. Mutual Weapons Development. A Mutual Weapons Development Program for \$200,000 was negotiated with the Federal Republic during FY 1957. No expenditures are expected in connection with this program before FY 1959.

13. United States Defense Expenditures Entering Germany's Balance of Payments: With the reduction in the contribution by the Federal Republic of Germany to the support of U. S. forces stationed in Germany, dollar expenditures by the forces through conversion of troop pay, procurement, M&O costs, etc., are expected to increase from \$311 million in FY 1956 and \$408 million in FY 1957 to approximately \$500 million in FY 1958. The estimate for FY 1958 will be slightly reduced if an additional contribution of deutschemarks is received from the Federal Republic of Germany as a result of negotiations that will be conducted during the second quarter of FY 1958. These figures exclude expenditures for offshore procurement.

14. German Support Costs: From the end of World War II until May 1952, the Federal Republic of Germany provided occupation support to the occupying powers without a specific limitation as to amount. With the signing of the Contractual Agreement in May 1952, Germany agreed to pay \$143 million per month, or \$1.7 billion per annum, for occupation costs. Of the \$143 million occupation costs per month, \$4.3 million was set aside for infrastructure costs, with the U. S. receiving 46% of the remainder, or \$63.8 million per month. When the occupation ended on 5 May 1955, the Federal Republic agreed to provide support for all Allied forces stationed in Germany in the amount of \$761.9 million (an average of \$63.5 million per month) for the next twelve months, the U. S. portion amounting to 46% of that amount. The Allied powers agreed to this substantial reduction in support on

Military Annex  
to NSC 5727

the theory that the anticipated build-up of German forces would materially strengthen Allied defenses against the USSR. With the German build-up developing so much more slowly than anticipated, the Allied powers with forces stationed in Germany have renegotiated with the Germans each succeeding year the question of support costs. In May 1956 an agreement was negotiated for a total contribution of \$346 million (U. S. portion - \$155 million) for the ensuing twelve months. Again, in May 1957, negotiations resulted in a German agreement (not yet ratified by the Bundestag) to make available what the Germans claimed to be a "final" contribution of \$285.7 million to the Allied powers, on a basis which allowed the U. S. 50% of the amount received during the preceding twelve months period (\$77.4 million). The U. S. accepted this reduction but reserved the right to renegotiate the question during the second quarter of FY 1958. The U. S. currently plans to ask for additional support sufficient to bring the total contribution for support of U. S. forces during the twelve months beginning 6 May 1957 up to that of the preceding twelve-months period.

15. In 1952 and 1953, when Germany was providing \$1.7 billion of occupation costs annually, it was considered by the Allied powers with forces stationed in Germany that Germany should spend \$2.1 billion for defense including support costs (about 7% of its GNP at that time). Based on this concept, the Allied powers agreed that Germany's support costs should taper off as its own defense build-up increased. Since that time the German economy has grown steadily, and if Germany's defense expenditures during CY 1957 were to equal 7% of its presently forecast GNP for 1957 these expenditures would approximate \$3.3 billion. It is estimated that during CY 1957 Germany will spend about \$1.8 billion for the build-up of its own forces and about \$300 million for the support of Allied forces stationed in Germany, the total amount of \$2.1 billion approximating 4.4% of its GNP. (By comparison, under the common NATO definition of defense expenditures, during CY 1957, France is expected to spend about 7.6% of its GNP for defense; the U. K. about 7.9%; and the U. S. about 10.3%.) Germany has placed large orders for military equipment with the U. S., Canada, the U. K., France, Belgium, and Turkey to supplement the equipment it is receiving under the Nash Commitment. As the build-up progresses and deliveries are made against orders placed, German defense expenditures will probably increase substantially. According to estimates of the Federal Republic, its expenditures for the build-up of German forces during the West German FYs 1959 and 1960 will approximate \$3.3 billion and \$4.3 billion respectively.

Military Annex  
to NSC 5727

- 10 -

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B. EAST GERMANYI. STRENGTH AND COMPOSITION OF EAST GERMAN FORCESA. Ground Forces

Personnel strength of ground forces of East Germany totals an estimated 100,000. Army forces are organized into 7 divisions and 6 independent regiments. The independent regiments consist of two artillery regiments and four AAA regiments. The divisions, with actual and authorized strength indicated, are as follows:

<u>Type</u> <u>Division</u>	<u>No. of</u> <u>Divisions</u>	<u>Actual</u> <u>Strength</u>	<u>Authorized</u> <u>Strength</u>
Rifle	5	3,000	11,500
Tank	2	3,000	11,500

B. Naval Forces

The East Germany Navy consists of an estimated 11,000 personnel manning

- 1 Patrol Vessel
- 2 Motor Torpedo Boats
- 18 First Line Mine Sweepers
- 42 Second Line Mine Sweepers
- 1 Auxiliary Vessel, general.

There is no naval aviation.

C. Air Force

The East German Air Force consists of an estimated 3,000 personnel and 145 operational aircraft, including:

- 55 jet fighters
- 90 piston fighters

Military Annex  
to NSC 5727

#### D. Other Military Forces

In addition to the conventional military forces, East Germany possesses 30,000 personnel organized into 26 Border Alert Units (somewhat larger than battalion size) and 15,000 Interior Troops (or Security Police) organized into 24 battalions.

There is also a comparatively insignificant Coastal Defense Force of an estimated 250 personnel.

## II. CAPABILITIES OF EAST GERMAN FORCES

### A. Over-all Capabilities

East German ground forces possess a combat potential only if employed in contiguous land areas, being restricted by type of equipment, by lack of transportation (other than rail), by lack of logistical support and by the questionable reliability of these forces. (However, there is less evidence of dissidence in the East German Army than in the population as a whole.) These forces are dependent for certain critical items of supply on logistic support by rail from the USSR, and they do not possess substantial stockpiles.

The East German forces alone do not possess an offensive capability. Without the assistance of Soviet troops, East German forces would be unable to defend against major attack by any of its neighbors. However, there is a growing corps of well-trained officers in the military forces, and East German manpower basically possesses a good military potential.

The military forces are maintained without conscription, although recruiting often takes the form of coercion. Approximately 100,000 men have been released from service since 1951, and an estimated 35,000 of this group are considered trained reserves. This group would be available for recall to military service, as well as the large number of East German males who have had service in the old German Army and some of whom could be utilized after familiarization training. Assuming the availability of equipment, the ground forces (including Border Police and Interior Troops) possess the capability of expanding as indicated below in the event of mobilization (figures in parentheses indicate number of divisions):

M-Day	M/15	M/30	M/90	M/130
145,000 (7)	175,000 (8)	225,000 (9)	250,000 (12)	300,000 (14)

Military Annex  
to NSC 5727

## B. Capabilities of Each Service

1. Ground Forces. The East German Army is a well-equipped and well-organized force. Unit training is good through regimental level, and several reinforced-regiment, or possibly division maneuvers have been held in the last two years. The Army is capable of limited offensive actions. A force of approximately 3 divisions could be used to attack undefended West Berlin, and some units could be employed to guard Soviet lines of communications. Its performance probably would be determined largely by the political circumstances leading to any future war.

2. Naval Forces. The primary mission of the East German Navy is the patrol of the country's coastal waters. The Navy is currently capable of performing coastal mine sweeping, coastal patrol, and to a limited extent, coastal mine laying operations. The effectiveness of the Navy is limited by poor leadership, insufficient training, and a lack of technically trained personnel. The Navy is unable to defend the East German Coast against attack by a major force.

3. Air Force. The training of the East German Air Force is primarily defensive in nature. Its defensive capability is integrated with the Soviet Bloc Air Defense system, although the effectiveness of East German fighters in air defense is probably lower than for similar Soviet units. As is the case with Ground and Naval forces, the East German Air Force is almost totally dependent upon the Soviets for equipment, supplies, and logistic support. Alone, it is incapable of the air defense of East Germany.

### III. CONTRIBUTION OF EAST GERMANY TO SOVIET MILITARY POWER

#### A. Value As A Forward Base

The value of East Germany as a military base to threaten Western Europe is obvious. The fact that of 32 Soviet line divisions stationed outside the USSR, 22 are located in East Germany indicates the importance of this area in Soviet plans, and permits the maintenance of an advanced military position in the heart of Europe. Maintenance of a supply base to support possible military operations into Western Europe increases the potential weight of a military attack against the West. Maintenance of this advanced base provides defense in depth plus early warning for the USSR against an attack from Western Europe.

In 1945, there existed in East Germany only 5 modern operational airfields; today there are more than 30. To the Soviets, the cost of construction must have been much less than the value to be gained from location in a forward area (although one not particularly friendly). The existence of a relatively satisfactory highway net in East Germany minimizes one of the major vulnerabilities of Soviet military forces--reliance upon rail transport for logistical support.

#### B. Production and Scientific Values

East Germany has been of importance to the USSR as a source of uranium ores (estimated over 50 percent of total Sino-Soviet Bloc production) and in major contributions to the Bloc in chemical, electronic, precision, and optical equipment. Armaments production is not on a large scale but includes a wide range of items e.g., parts for artillery and aircraft, small naval vessels, light weapons, ammunition and explosives, and various instruments. As is well known, the Soviet Union took large numbers of German scientific personnel to the USSR after the end of World War II. These individuals made important contributions to research in the fields of nuclear energy and missiles. East Germany has the trained scientific personnel and facilities for conducting limited research and development programs in biological warfare, and will probably make a substantial contribution to the Soviet effort in point-to-point microwave (decimeter) communications. Contributions to the USSR infrared program should be valuable, especially in respect to detector and optical developments, and in the infrared communications field.

Military Annex  
to NSC 5727

There is a substantial transportation equipment industry in East Germany which is an important factor in maintenance of Bloc transportation.

#### C. Reliability of Armed Forces in Event of War

The Soviets cannot rely upon the East German ground forces for major military operations nor for maintaining internal security. There is, however, less disaffection in the permanent cadre of commissioned and noncommissioned officers (approximately 20 percent of the 100,000 man force) than in the rank and file. The reliability of all East German military forces would be particularly questionable if they were to be employed against East German civilian personnel or against West Germans.

Although the same remarks apply to the Border Police and to the Interior Troops, they probably apply to a lesser degree, due to more careful screening of personnel prior to induction. The Navy and the Air Force are probably about equal in reliability to the Border Police. The continued flow to the West of large numbers of refugees from East Germany is a strong indication of the dissatisfaction existing in that country. That 22½ percent of this flow consists of males of military age is another indicator of the low reliability of the East German from the Soviet point of view.

In the event of war between the West and the Soviet Bloc, significant numbers of Soviet troops would probably be required to retain control of East Germany.

### IV. SOVIET MILITARY POLICY TOWARD EAST GERMANY

#### A. Command Relationships and Control

East Germany is a signatory member of the 1955 Treaty of Friendship, Cooperation, and Mutual Assistance, commonly called the Warsaw Pact. Under the provisions of this Pact, the military forces in theory are assigned to a joint command. In practice, the USSR exercises command of all Bloc forces, including the East German, and exerts control at all levels through assignment of Soviet advisors.

Military Annex  
to NSC 5727

15

~~TOP SECRET~~



## B. Soviet Support of East German Forces

The East German military forces are almost totally dependent upon the USSR for logistical support. Even those items of equipment which are manufactured locally are of Soviet design.

The East German military forces would be incapable of undertaking more than very limited offensive or defensive operations without the active assistance of the forces of the USSR.

## C. Soviet Reliance Upon East German Forces

It is doubtful if the Soviets place any real trust in the East German forces. After the 17 June 1953 riots, stringent controls were placed on the East Germans, including types of equipment they were allowed to retain, conditions under which aircraft could be operated, and other restrictive measures. Even after the passage of four years without further disturbances in Germany, there has been only a gradual relaxation of controls, and there is no indication that any controls have been removed.

The Soviets probably have little intention of employing, in event of war with the West, East German military forces for other than line of communications duties, or in quiet sectors if employed in contact with an armed enemy. The uprisings in Hungary and Poland undoubtedly have had an effect upon the confidence with which the Soviets view the East German military forces. Almost surely in war or general internal disturbance, the East German forces would be used only in conjunction with Soviet troops, all under Soviet command. There is, however, evidence of increasing confidence by the Soviets in the East German forces. The East German Army is becoming one of the most modern and best equipped of the Soviet Satellite forces. It is receiving the modern T-54 Soviet tank, which only two other Soviet satellite armies are known to be receiving. In addition, it reportedly has received a relatively new Soviet amphibious tank, and new high performance 57 mm AAA weapons.

Because of political considerations, and in spite of limited reliability and military capabilities, the Soviets probably consider the East German armed forces as a net asset.